BRITISH COLUMBIA UTILITIES COMMISSION

Service Plan
for the period
2003/2004 through 2005/2006

January 31, 2003

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APPENDIX A – Charts A-1 through A-4

1.0 OVERVIEW OF THE BRITISH COLUMBIA UTILITIES COMMISSION

The British Columbia Utilities Commission ("the Commission", "BCUC") is a regulatory agency of the Provincial Government, operating under and administering the Utilities Commission Act ("UCA", "the Act"). The Commission's primary responsibility is the regulation of the energy utilities under its jurisdiction to ensure that the rates charged for energy are fair, just and reasonable, that utility operations provide safe, adequate and secure service to their customers, and that shareholders of these utilities are afforded a reasonable opportunity to earn a fair return on their invested capital. It approves the construction of new facilities planned by utilities and their issuance of securities. The Commission's function is quasi-judicial and it has the power to make legally binding rulings. Decisions and Orders of the Commission may be appealed to the Court of Appeal on questions of law or jurisdiction.

The Commission also reviews energy-related matters referred to it by Cabinet. These inquiries usually involve public hearings, followed by a report and recommendations to Cabinet. In addition, under Part 7 of the Pipeline Act, the Commission establishes tolls and conditions of service for intraprovincial oil pipelines. The Commission also has responsibilities under the UCA for electricity transmission facilities and energy supply contracts, matters that are likely to become more active as the reorganization of the energy industry proceeds.

The Act provides for a Chair, one or more Deputy Chairs, up to seven Commissioners (including the Chair and Deputy Chair[s]), and Temporary Commissioners. All are appointed by the Lieutenant Governor in Council. As of December 2002, there are four Temporary Commissioners and the Chair. The Commission staff of 19 is made up of professional engineers, accountants, economists, and administrative staff. The Commission and staff are located in Vancouver at 900 Howe Street.

The Commission staff is made up of two main sections, the Information Services Group and the Regulatory Affairs and Planning Group. The Information Services Group handles complaints from ratepayers, provides research support, and compiles statistics and information to respond to inquiries from the public. The Regulatory Affairs and Planning Group comprises three units offering a range of functions: strategic services, rates and finance, and engineering and commodity markets.

The Commission has been self-funded since 1988. Its annual budget ranges between $3.0 and $3.5 million. Its costs are recovered primarily through a levy on the public utilities it regulates, plus smaller amounts from intraprovincial pipelines.

Today's BCUC is much improved from the BCUC of the 1970's and 1980's. It is smaller and more affordable, yet more efficient, effective and accountable. The Commission's future structure and functions will evolve quickly in 2003 as it begins to implement key policy actions from B.C.'s new energy policy, "Energy For Our Future, a Plan for B.C." (referenced in this Service Plan as the "Energy Policy" or the "Energy Plan"), and as a consequence of the Core Services Review. The BCUC's regulatory "tool kit" for implementing provincial policy includes public hearings, Alternative Dispute Resolution, incentive mechanisms, workshops and information publications.

2.0 STRATEGIC CONTEXT

2.1 Vision

To be a leader in the regulation of energy providers within the mandate of the Utilities Commission Act and to be respected for our independence, professionalism and competence.

2.2 Mission

The Commission's mission is to ensure that ratepayers receive safe, reliable and non-discriminatory energy services at fair rates from the utilities it regulates and that shareholders of those utilities are afforded a reasonable opportunity to earn a fair return on their invested capital.

2.3 Values

The Commission is committed to realizing its vision and mission by:

- *Applying* regulatory principles, research and industry knowledge to resolve energy utility problems and render decisions that are timely, fair, workable and respected.
- *Writing* high quality decisions, reports and publications.
- *Communicating* in an effective and timely manner with co-workers, utilities, ratepayers, Government and the public.
- *Promoting* learning, innovation, creativity and the achievement of personal and professional goals.
- *Building* a work environment that fosters teamwork, cooperation and respect for the diversity, skills and experience of individuals.

2.4 Planning Context and Key Strategic Issues

(i) Planning Context

The Commission is being assigned new or resurrected mandates through the Province's recently released Energy Policy. Government has also stated its intent to provide some level of regulatory oversight to non-energy private and public monopolies. The role of the Commission, if any, in regulating these agencies has yet to be determined.

The Energy Policy was released on November 25, 2002. The policy's guiding principle for the BCUC is "The BCUC will be strengthened and will fulfill its mandate to protect the public interest by reviewing and approving energy rates, reliability standards and other conditions of service" (p. 37). The policy calls for several amendments to the Act, directions to the Commission and Commission proceedings to review specific issues. Legislative amendments will include:

- allowing direct natural gas sales to low volume customers and requiring the licensing of marketers to serve these customers;
- procedures that focus more on performance-based and results-based regulation and that define effective consumer participation;
- a Heritage Contract to lock in the value of existing low cost B.C. Hydro electricity generation assets for an extended period; and
- removal of disincentives for energy distributors to invest in conservation and energy efficiency.

An appropriate level of electricity trade benefits will also continue to be assigned for the purpose of setting electricity rates.

The policy also calls for several proceedings beginning in 2003 associated with electricity and gas matters, some arising from the termination of B.C. Hydro's rate freeze on April 1, 2003. These include:

- an inquiry into the terms and conditions of the Heritage Contract;
- following the Heritage Contract inquiry, a revenue requirements hearing for B.C. Hydro before the end of the 2003/04 fiscal year, to be followed in subsequent years by negotiated settlement processes using performance-based ratemaking;
- a hearing to develop stepped and time-of-use pricing for industrial and large commercial electricity customers;
- a hearing into transmission rates, including wholesale rates associated with participation in a Regional Transmission Organization; and

- a review of an application for a Certificate of Public Convenience and Necessity from B.C. Hydro for its proposed Vancouver Island Generation Project at Duke Point near Nanaimo.

To provide a useful context for these and other initiatives, the following review summarizes changes in the energy utility sector and associated challenges regulatory agencies face in protecting the interests of both ratepayers and utilities.

(ii) Trends and Issues

Rising Natural Gas Commodity Costs

The sharp increase in the continental market price for natural gas in the winter of 2000/01 abated somewhat in the 2001/02 heating season, but prices are expected to remain very volatile. Gas storage inventories continue to be relatively high at the start of the 2002/03 heating season, but the impacts of production and supply variability, the strength of the economy, crude oil prices and weather are major uncertainties. Experience from the winter of 2001/02 demonstrated the significant impact of very high prices on consumers' cost of living and businesses' operating costs. There was a public expectation that regulators could somehow "save" consumers from high gas commodity costs, even though they have been set by market forces and passed on to the customers without mark-up by the utilities for over 15 years. Although the BCUC does not regulate the competitive market for the natural gas commodity, it has established mechanisms that tend to smooth out the fluctuations in gas costs so that British Columbia customers tend to pay less than the full gas cost when gas prices are high and pay slightly more than the actual cost when gas prices are low. In addition, the Commission reviews utility gas supply contracting and hedging plans to ensure that, within the limits of the forward market prices, the utilities purchase reliable supplies at the lowest cost possible. The Commission also reviews the status of deferral accounts to collect or refund variances between a gas utility's actual cost of gas and the collection of its forecast costs in rates in order to reduce fluctuations in gas rates.

Re-regulation of B.C. Hydro Rates

Unlike natural gas, electricity rates in British Columbia have been based on the costs of generation, transmission and distribution. Earlier Recommendations of the Energy Policy Task Force to shift to market prices for electricity were not included in the Province's new Energy Policy. The B.C. Hydro rate freeze that has been in place since 1996 will end on March 31, 2003. Thereafter, rates will again be regulated to cover the projected costs of electricity to consumers. Meanwhile, the Commission has instituted transmission access principles and tariffs for B.C. Hydro and Aquila Networks Canada (British

Columbia) Ltd. (formerly UtiliCorp Networks Canada and West Kootenay Power Ltd.) to allow these utilities to participate in regional electricity markets.

In the western United States low levels of electricity infrastructure investment, low precipitation and growing demand led to abnormally high market prices and shortages during peak periods in 2000. In 2001 and 2002, a reversal of these factors led to a surplus of electricity and a reduction in the market prices for electricity. Under current Government policy, B.C. Hydro ratepayers and British Columbia taxpayers both benefit from electricity trade revenues, which tend to be highest when market prices are high. These revenues have been reduced from 2001 peaks due to the decrease in market prices.

Promotion of Competition and Choice

The BCUC is continuing to enhance competition and choice by separating the natural monopoly (e.g., the pipes and the wires) from the activities amenable to market forces (e.g., the commodity and some customer services). The trend towards reorganization in energy markets throughout North America is leading to increased pressure on the BCUC from customers and energy providers alike to ensure that customers are offered more options and that utility services are provided in a fair, open and non-discriminatory manner. The entry of non-regulated companies, including affiliates of regulated utilities, increases the complexity of regulating energy utility services. A transition to more competitive conditions in the electricity generation sector, even if restricted to only some sectors, will require regulatory oversight. A necessary condition for securing competitive prices for natural gas and electricity is that remaining monopoly transmission and distribution utilities be regulated to ensure market participants receive fair access to deliver their energy at non-discriminatory rates. The Government's Energy Policy confirms that natural gas marketers will be allowed to sell directly to small volume customers and will be licensed by the BCUC to provide consumer protection (Policy Action #19).

A challenge for Government and regulators will be to find suitable long-term planning and management mechanisms which are compatible with energy market changes. The Energy Policy highlights the need for new domestic sources of energy supplies. Regional issues include energy supply to Vancouver Island, BC Gas' proposed Inland Pacific Connector Pipeline and the lack of natural gas storage capacity near the Lower Mainland.

An increasingly important factor to Government, consumers, energy producers and transporters is energy trade with other jurisdictions. The BCUC continues to explore with other regulators harmonization, standardization, and streamlining of regulation within the limits of enabling legislation. Events in California, Alberta and Ontario have highlighted the need to ensure that British Columbia energy

consumers will receive adequate protection in a liberalized marketplace. In order to remain informed of events in other jurisdictions, the BCUC has ties with tribunals in neighbouring provinces and states and participates in cross-jurisdictional initiatives such as the Regional Transmission Organization ("RTO") formation. The Commission also plays an active role in the Canadian Association of Members of Public Utility Tribunals ("CAMPUT").

As indicated by the table on the following page, the BCUC has operated at costs and staffing levels which are significantly lower than comparable tribunals. The Commission's performance over time with respect to expenditures, staff levels and cost of regulation per customer and per unit of energy sold is shown in Appendix A, Charts A-1 through A-4.

However, by changing the structure and mandates of the BCUC, B.C. Hydro, and other provincial energy-related organizations, the Energy Policy will have a significant impact on this Service Plan. Commission costs are expected to rise with full regulation of B.C. Hydro and implementation of other components of the new Energy Plan. The Energy Plan calls for two new full-time Commissioners, and the Commission anticipates a need for two new staff positions in its Regulatory Affairs and Planning Group. The Commission must also budget for two high profile public hearings in 2003/04, with the costs being subsequently recovered from B.C. Hydro.

(iii) Strategic Shifts

The Commission is planning for and will manage, the changes brought about by:

- the Energy Plan and the consequential changes to both its mandate and structure plus those of B.C. Hydro and other provincial energy organizations; and
- the possible future role of the Commission in a regulatory oversight of non-energy private and public monopolies.

Key strategic shifts associated with the Energy Plan can be summarized as related to commodity competition and regulation. For example:

- Competitive Electricity Transmission Access:
  No access (early 1990s) —> Open Access (post-2003)
- Competitive Natural Gas Supply:
  No Competition (pre-1985) —> Full Customer Choice (2004)
- Competitive Electricity Generation:
  All Utility Owned (pre-1990) —> Private Sector Supplies New Generation (2003)

Comparisons with Other Jurisdictions (2002)

	Members	Staff	Budget	Per Capita Cost of Regulation[1]
B.C. Utilities Commission	1 full-time Chair 4 Temporary Commissioners	19	$3.3 million, fully cost recovered	$ 0.81/year
Ontario Energy Board	8 full-time Commissioners, including Chair and 2 Vice Chairs 8 part-time Commissioners	101	$20.3 million, fully cost recovered	$1.74/year
Quebec Régie de l'énergie	7 full-time Commissioners, including Chair 2 part-time Commissioners	66	$7.2 million, fully cost recovered	$0.98/year
Newfoundland Board of Commissioners of Public Utilities	3 full-time Commissioners, including Chair and Vice Chair 5 part-time Commissioners	10	$1.7 million, fully cost recovered (30% is insurance regulation)	$2.23/year
Alberta Energy and Utilities Board	8 full-time Members, including Chair	40 "utilities" staff 700 "oil and gas" staff	$94 million, 78% cost recovered, 22% funded by Government; estimated $4.0 million for energy utility regulation	$1.31/year
National Energy Board	8 full-time Members, including Chair and 2 Vice Chairs 6 part-time Members	281	$30.0 million, 90% cost recovered, 10% funded by Government	not comparable

[1] The annual budget (B.C., Ontario, Quebec) or the portion of the budget devoted to energy utility regulation (Alberta, Newfoundland) divided by the population of the province.

- Incentive Regulation:
  Rates Set Annually by Revenue Needs (pre-1994) –> Multi-Year Rates Set by Performance Results (post-2003)

- Process for Decisions:
  Mostly Adversarial Hearings (pre-1994) –> Mostly Negotiated Settlements (post-2003)

(iv) Risks

In general, BCUC organizational risks are low or manageable. As a $1,000 vote, budget risks are minimal: the funding levy is low, fairly allocated across utilities, fully grounded in legislation and the way it is set is transparent. Annual budget surpluses are refunded back to the utilities in the first quarter of the following year as a deduction from their first quarterly payment.

Workloads tend to peak in the November through February period as new rates are established for the calendar year. Specialist consultants are retained if needed to ensure timely but thorough evaluations. Conversely, Commission staff assist the Yukon and Saskatchewan utility review boards under contract if workloads permit, reducing slightly the levy paid by British Columbia utilities.

The BCUC is not immune from the recruitment, retention and succession issues faced by many organizations. Many professional staff are either able to retire now or within the next few years. Some younger professional staff have recently left to work for utilities at significantly higher salaries. The Commission is completing a compensation review in early 2003 and intends to work with the Public Sector Employers Council to implement a new compensation and performance management framework.

3.0 GOALS, OBJECTIVES, KEY STRATEGIES, PERFORMANCE MEASURES AND TARGETS

3.1 Goals and Objectives

The BCUC will pursue the following goals in order to achieve its mission of safe, reliable and non-discriminatory energy services to ratepayers at fair rates, while allowing utility shareholders the opportunity to earn a fair return on their investment.

To Implement the Policy Actions of British Columbia's New Energy Plan

The Government of British Columbia has entrusted the Commission with an expanded mandate for the energy sector. The BCUC will be partly or wholly responsible for implementing many of the 26 Policy Actions of the energy policy, "Energy For Our Future: A Plan for B.C.".

Objectives

- Work with the Ministry of Energy and Mines' officials to help prepare Terms of Reference for a BCUC Inquiry into the Heritage Contract for low cost electricity.
- Assist in drafting changes to the Utilities Commission Act as specified in the new policy. Act amendments are to be introduced in 2003 to address changed regulatory functions and processes. Legislative changes may be complemented by new Special Directions addressing Commission treatment of B.C. clean energy portfolio standards and export trade revenues.
- Initiate a review of the Commission's existing "Negotiated Settlement Process" Guidelines to ensure consistency with Act amendments, and to clarify rules, roles and procedures.
- Develop new Commission policies, procedures and guidelines, where required, to be consistent with the Energy Plan.

Specific strategies and performance measures related to this goal are set out in Chart 1.1.

To Ensure the Financial Viability of Utilities

The Commission has a legislated responsibility in its oversight capacity to maintain the financial viability of energy utilities and to ensure that they are capable of providing high quality service to customers.

Objectives

- Provide utilities a reasonable opportunity to earn a fair return on shareholder capital.
- Review and appraise the utilities' access to credit facilities and debt financing.
- Evaluate the stability of investments by evaluating projections of future customer revenues to support these investments.

Specific strategies and performance measures related to this goal are set out in Chart 1.2.

To Maintain and Improve Public Worker Safety, and Enhance the Quality and Reliability of Utility Service

Experiences in other jurisdictions have shown that market liberalization will be accompanied by challenges to service quality and reliability. The safety of the public and utility workers is paramount. The BCUC will need to consider new approaches to ensure that market evolution does not impair public or worker safety, or the quality and reliability of service to customers.

Objectives

- Review utility capital plans to ensure that, during high demand at peak periods, the supply to firm service customers is not constrained by the capacity of existing gas pipeline or electricity transmission system or storage facilities.
- Continue to work with gas utilities and marketers to ensure that increased customer choice in gas supply can move forward without compromising security or reliability of supply.
- Continue to participate in the implementation of effective standards such as Reliability Agreements between the Western Electricity Coordinating Council and transmission operators.
- Continue to include performance standards and financial incentives in Performance-Based Ratesetting to ensure that service quality and employee safety are maintained and improved.

Specific strategies and performance measures related to this goal are set out in Chart 1.3.

To Maintain and Improve Customer Satisfaction With Utility Services

The BCUC requires utilities to be accountable to their ratepayers and expects that customer satisfaction levels should be maintained or improved and systematically reported.

Objectives

- Prepare a modified regulatory framework, consistent with legislation and stated Government policy, so that residential, commercial and industrial customers can benefit from new market entrants and increased choices.
- Develop improved communications to educate customers about the options available to them.

Specific strategies and performance measures related to this goal are set out in Chart 1.4.

To Enhance Provincial Competitiveness Through Non-Discriminatory Services

The electricity and gas sectors have had a history of development based on vertically integrated monopolies. However, both sectors now have to deal with demands for access by third parties such as independent generators and traders. For those who wish to buy gas from a supplier other than their delivery utility, the BCUC must ensure that non-discriminatory charges and effective commodity purchasing options are available.

Objectives

- Assess new institutional arrangements and promote reforms that are consistent with this goal. In the electricity sector, this could involve membership in a Regional Transmission Organization by electrical utilities with transmission assets. In the natural gas sector, this may involve legislative changes to support access to the gas distribution systems for independent marketers and brokers.
- Ensure that rate designs and utility tariffs are fair and non-discriminatory.

Specific strategies and performance measures related to this goal are set out in Chart 1.5.

To Enhance Provincial Competitiveness Through Containment of Cost of Service Increases

For many years the BCUC has been successful in limiting the increases in the real cost of utility energy service to ratepayers.

Objectives

- Continue to review the cost saving potential of utility capital addition plans and alternatives.
- Ensure that new facilities are planned and located efficiently and that appropriate incentives to undertake needed investments are in place. Some utility infrastructure is reaching the end of its useful life or capacity is constrained and increased monitoring of system integrity and capital additions may be needed at considerable cost.
- Continue to review divestitures of certain functions, such as the BC Gas customer care functions to CustomerWorks, to ensure that the required level of service is provided in the most cost effective manner.
- Given the volatility in unregulated commodity prices, ensure that gas utilities purchase supplies prudently and manage risks in commodity purchasing and trading cost effectively.

Specific strategies and performance measures related to this goal are set out in Chart 1.6.

To Continue to Control the Cost of Regulation

Since the Commission fully recovers its costs from the utilities it regulates, it is the ratepayers who pay for the regulatory services they receive. The Commission has reduced its own costs of regulation to a level that is between half a cent and two-thirds of a cent per gigajoule of energy sold, or less than one-tenth of one percent of the revenues collected by utilities.

Objectives

- Continue efforts to streamline the regulatory process through mechanisms which are alternative or complementary to traditional public hearings. These include technical workshops and meetings, pre-hearing conferences, working groups, and negotiated settlements. Other examples include multi-year performance-based revenue requirements agreements designed to improve and reward exceptional utility performance while reducing costs and increasing consumer satisfaction.
- Review and improve BCUC work processes, the framework for staff compensation, and performance evaluation.
- Continue to monitor and amend its Participant Assistance/Cost Award guidelines to ensure that intervenors' submissions are useful, that they do not duplicate the efforts of others, and that costs claimed are reasonable.
- Continue to mitigate Commission costs by providing limited staff support to Yukon and Saskatchewan under consulting contracts.
- Continue to monitor and improve its performance by annually tracking several indicators:
    - Commission expenditures;
    - staff levels;
    - cost of regulation per customer;
    - cost of regulation per unit of energy sold;
    - number of Decisions issued; and
    - number of formal proceeding days spent in Commission hearings, hearings related to reviews ordered by Cabinet and in Alternative Dispute Resolution.
- Transfer the Commission's computer systems and to contract for systems support with the Government's Common Information Technology Services Division of the Ministry of Management Services.

To Improve Communications About, and Ratepayer Satisfaction With, BCUC Regulatory Matters

The BCUC has tried to make its regulatory processes friendlier and more accessible through its publications, website, public workshops and evening sessions at hearings.

Objectives

- Continue to improve BCUC communication efforts, including the level of public awareness of and satisfaction with, the Commission's information services and the assistance available to participants at proceedings.
- Inform consumers, intervenors and the public about its operation, procedures, timetables and decisions while maintaining its objectivity, independence and impartiality.
- Continue to explore regulatory procedures that are seen as fair by participants but result in timely, well reasoned and fair decisions by the Commission.

Specific strategies and performance measures related to this goal are set out in Chart 1.8.

3.2 Strategies and Performance Measures

The strategies or activities, key outcomes of those strategies and the performance measures for assessing the relative success or failure of the activity are set out in Charts 1.1 to 1.8 on the following pages. Where possible, the Commission has developed specific quantitative targets to assess the strategies. However, most of the Commission's activities are in response to particular initiatives on the part of Government, utilities, or customer groups, or to forces in the broader energy sector and those performance measures remain qualitative at the present time. The Commission is reviewing ways to extend quantitative benchmarking of its results to a broader range of activities.

Chart 1.1 **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
To Implement the Policy Actions of B.C.'s New Energy Plan	Amend Utilities Commission Act in 2003 for purposes of Energy Policy implementation and related procedural efficiency initiatives.	Amend Act to enable: • direct natural gas sales (Policy Action #19) • performance-based and results-based regulation (Policy Action #12) • Heritage Contract (possibly separate legislation) (Policy Action #1) • removal of disincentives for distributors to invest in conservation and efficiency (Policy Action #23) • least-cost resource acquisition processes of B.C. Hydro, Aquila and other investor-owned utilities (Policy Action #9).	Amendments to Utilities Commission Act in force by June 2003. Revise Commission's Negotiated Settlement Process Guidelines by Fall 2003.
	Respond to Special Directives from Cabinet to implement the Energy Policy.	Special Directions, or similar enforceable policy directives, to: • enable electricity utilities to contract for "BC Clean" supplies that may not be lowest cost (Policy Action #20) • assign a level of electricity trade benefits for rate setting purposes (Policy Action #2).	Special Directions to Commission as and when required for supply contract and rate setting purposes.
	Implementation of a legislated Heritage Contract to preserve the benefits of B.C. Hydro's existing generation (Policy Action #1).	Terms of Reference of s.5 Utilities Commission Act, inquiry in January 2003; Commissioner(s) appointed; Report and Recommendations to Cabinet by September 2003; followed by Special Direction and/or legislation.	Report to Cabinet by the date established in the Terms of Reference, with recommendations on terms and conditions for Heritage energy based on a return consistent with private utilities.

Chart 1.1 (continued) **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
To Implement the Policy Actions of B.C.'s New Energy Plan	The re-regulation of B.C. Hydro rates (Policy Action #5).	Phased Oral Public Hearings into generation, transmission and distribution revenue requirements for 2003/04, following Heritage Contract Cabinet Decision in Winter 2003/04 (Policy Action #5): • possibly separate review of wholesale transmission rates and participation in RTO West (Policy Action #16) • Multi-Year Performance-Based Ratemaking using Negotiated Settlement Process in 2004 • hearing to develop new stepped and time-of-use pricing for B.C. Hydro Large Volume customers in 2004 (Policy Action #21).	Timely, well articulated Decisions with Reasons, in response to each Application.
	Recruit two new full-time Commissioners (Policy Action #12) and two new staff in Regulatory Affairs.	Appointment Plan to Premier's Office in early 2003.	New Commissioners and staff appointed by June 2003.
	Commission review of the Vancouver Island Generation project should the project proceed (Policy Action #6).	Public review of Certificate of Public Convenience and Necessity Application (if B.C. Hydro is developer) or electricity supply contract (if Independent Power Producer is developer), followed by Commission Decision.	Commission Decision, with well articulated Reasons, within seven months of application by B.C. Hydro and/or IPP.
	Implementation of customer choice of natural gas commodity supplier to core market (Policy Action #19) (Agent Billing and Collection for Transportation).	Renew Market Unbundling Group activities to confirm marketer, utility and customer support and cooperation. Enabling legislation in Spring 2003 to allow direct sales to core market, require the licensing and bonding of marketers, and eliminate supply contract filing requirements for Large Volume customers.	Establish Rules, including bonding/security deposit, to obtain gas marketing license in late 2003. Choice for BC Gas customers implemented in November 2004, followed by choice option for PNG and Centra customers in 2005.

Chart 1.2 **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
Ensure Financial Viability of Utilities			
Ensure that utilities are financially viable and capable of providing high quality service to customers.	Determine a fair Return on Equity ("ROE") for a low-risk benchmark utility.	Calculation of the allowed low-risk benchmark ROE at the end of each year.	Publication of the resulting ROE by early December each year so that utilities can incorporate the results into their rates for the following year.
	Periodic reviews or public hearings to consider whether any amendment should be made to the ROE adjustment mechanism.	Decision based on evidence in a review proceeding on possible amendments to the formula.	Clear and reasonable Commission Decisions.
	Review and oversight of utility financing, commodity trading and hedging activities and gas cost variance account balances to ensure that the benefits to ratepayers are not outweighed by the risks involved.	Approval or feedback to the utility on its financing, commodity contracting, or price risk management (hedging) activities. Reports on gas contracting and hedging activities.	Utility trading and financing activities appropriate to market conditions. Avoidance of imprudent expenditures and full recovery of all prudent commodity costs.
	Review of B.C. Hydro export trade activities to ensure that utility ratepayers are not put at risk by trading activities.	Requirement for quarterly reports on export trade.	Benefits of export trade activities exceed costs.
	Approval of utilities' capital and operating expenditures.	Approval of capital and expense budgets to be recovered in utility rates.	Sufficient revenue for each utility to provide safe, reliable operations and to be financially viable.

Chart 1.3 **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
Maintain and Improve Public and Worker Safety, and Enhance Quality and Reliability of Utility Service	Incorporate financial incentives into multi-year revenue requirement applications which can only be earned if safety and reliability targets are met.	Provisions in incentive settlement agreements to encourage utilities to provide high quality, reliable service based on agreed upon performance indicators.	Safety and reliability indicators that surpass levels in previous years and compare favourably with other utilities.
	Review customer complaints, reliability and quality of service indicators, gas supply and power purchase plans.	Measurements against safety and reliability targets. Identification of new safety and reliability issues requiring action.	Improved utility responses to service quality and reliability incidents and improved results of the performance indicators and statistics.
	Review utility capital and operating plans to ensure that necessary expenditures are made and activities are undertaken to provide high quality, reliable service.	Approval of appropriate utility capital plans and capital project applications to ensure that appropriate system upgrades are undertaken.	Timely Decisions with well-articulated Reasons on applications for Certificates of Public Convenience and Necessity, and adequate energy supplies during peak periods.
	Review criteria and agreements concerning electric system reliability and reliability management.	Secure and reliable operations resulting from the standards and criteria set out in the agreements.	British Columbia electricity utilities meeting or exceeding the safety and reliability standards and comparing favourably with other electricity utilities.
	Monitoring and follow-up of safety-related incidents within the Commission's jurisdiction.	Reports from the utilities on the causes of the incidents and any steps or improvements that can be taken to prevent further incidents.	Reductions in the number and severity of safety-related incidents.

Chart 1.4 **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
Maintain and Improve Quality and Reliability of Utility Services Customer satisfaction with utility service is a composite of several factors, some of which are dealt with specifically under separate categories (e.g., safety and reliability, cost containment, non-discriminatory tariffs). Others discussed here include: • operating practices of the utility • development of new services, options for increased customer choice of commodity supplier.	Incorporate incentives in multi-year settlement agreements to encourage utilities to undertake "customer-friendly" operating practices. Monitor and direct utilities to address customer complaints and provide opportunities for customers to express their views. Encourage development of new services to customers in response to commodity competition and changing customer needs. Provide small commercial and residential natural gas customers with the option of buying gas from marketers' and allowing the marketers' gas supply charges to be included on utility bills.	Provisions of incentives for utilities to improve service levels. Ongoing feedback and communication among customers, the Commission and the utilities related to service quality issues. New utility programs approved based on demonstrated net consumer benefits. Published guidelines and other consultation documents. Agent Billing and Collection for Transportation Service Option ("ABC-T") to enable non-utility suppliers to offer options for small customers who wish to buy gas from brokers and marketers. Implementation first for BC Gas customers, then Centra and PNG. Review of the implications of ABC-T Service for local government revenues collected under franchise agreements from utilities.	Improvements in service quality indicators over time for each utility. Customer satisfaction with the Commission's management of their complaints, as evaluated by periodic surveys of complaints (first done in 2000). New programs that provide benefits to both customers and the utility at fair and non-discriminatory rates through a fair and efficient process. Enabling legislation in Spring 2003 to provide Commission authority for appropriate consumer protection followed by establishment of a workable ABC-T program to begin November 2004. Resolution of franchise fee issues with utilities and local governments prior to establishment of ABC-T Service.

Chart 1.4 (continued) **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
Maintain and Improve Customer Satisfaction with Utility Services	Work with utilities to develop education programs for customers and market participants about ABC-T options.	Cost-effective education program in place prior to program implementation.	High level of customer understanding of ABC-T options by implementation date.

Chart 1.5 **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
Enhance Provincial Competitiveness Through Non-Discriminatory Services	Undertake periodic rate design reviews to apportion the revenue requirement fairly to different customer classes, while ensuring there is no undue discrimination in the rate structures of the utilities.	Centra Gas – Rate Design oral public hearing in February 2003 Pacific Northern Gas – Allocated cost of service study expected with its 2003 revenue requirements application B.C. Hydro – Rate Design Application expected in 2004.	Rates that are fair to each customer group as set out in timely Commission Decisions for Centra (mid 2003), for PNG (early 2003) and B.C. Hydro (mid 2004).
	Review utility tariffs to ensure that they will apply equally to all customers in similar circumstances.	Fair and non-discriminatory tariffs for approved utility programs and services.	Tariffs that provide the same services to different customers at a cost that is fair and non-discriminatory under the circumstances.
	Monitor and respond to customer complaints that tariffs are not fair or utilities are not following their tariffs.	A resolution to each complaint based on the particular circumstances and following due process.	Decisions from the Commission that provide well-articulated and well-reasoned resolutions to the complaints.
	Restructure the regulation of electricity transmission operators consistent with provincial electricity policies, including fair and non-discriminatory access.	Workshops, hearings, and other processes resulting in transmission rates and access provisions which are fair and non-discriminatory and reflect the restructuring mandated in the Energy Policy.	By 2004, operation of an efficient electricity transmission grid, consistent with provincial policy and the principles of fair and non-discriminatory access.
	Monitor formation of a Regional Transmission Organization ("RTO West") for western Canada and the United States.	Review and monitor RTO West requirements and transmission entities regarding performance, reliability, efficiency and ratepayer impact.	A B.C. transmission grid that maintains the benefits of an integrated regional electricity transmission market.

Chart 1.6 **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
Enhance Provincial Competitiveness Through the Containment of Cost of Service Increases	Revenue requirements reviews. Review utilities' costs to ensure that expenditures are required and reasonable for the activity. This may be done through a public hearing, a negotiated settlement leading to a multi-year incentive agreement with annual reviews, or both.	Commission approval, through a settlement agreement or a Commission Decision, of costs to be included in the utilities' rates for: BC Gas - 2003 Revenue Requirements and 2004 Multi-year PBR Pacific Northern Gas - 2003 Revenue Requirements B.C. Hydro - Revenue Requirements Review Centra Gas - 2003 Revenue Requirements Review. Smaller utilities such as Aquila Networks Canada, Centra Whistler, Princeton and propane utilities	Timely, clear and well reasoned Commission Decisions (that, if appealed, are upheld by the Courts) on: BC Gas - 2003 Revenue Requirements in early 2003 and Multi-year PBR in late 2003 Pacific Northern Gas - 2003 Revenue Requirements in early 2003 B.C. Hydro - 2004/05 Revenue Requirements in Winter 2003/04 Centra Gas - 2003 Revenue Requirements in January 2003. Other utilities as needed.
	Review of utility major capital projects to ensure that major capital projects are necessary, least-cost and the best alternative. The Commission reviews utility capital projects through applications for Certificates of Public Convenience and Necessity, while providing for an appropriate level of public input, or a combination of hearings and settlement processes.	Established processes to review anticipated applications including: B.C. Hydro – possible application to construct the Vancouver Island Generation Project. BC Gas – possible application to construct Inland Pacific pipeline. Aquila – December 2002 Application to construct South Okanagan Substation.	Timely, clear and well-reasoned Commission Decisions either approving the project (perhaps with conditions) or denying it. If appealed to Supreme Court, a Court Decision upholding the Commission's Decision. Commission Decision on Aquila's CPCN Application by March 2003.

Chart 1.6 (continued) **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
Enhance Provincial Competitiveness Through the Containment of Cost of Service Increases		Centra Whistler – anticipated application to construct a natural gas pipeline from Squamish.	
	Review utilities' energy supply contracts, price risk management plans and/or electricity purchase plans and reports on the results of hedging activities and gas cost variance account balances.	Feedback to the utility with Commission concerns or recommendations on commodity supply contracting and hedging activities.	Natural gas and electricity provided to ratepayers at the lowest expected long-term cost consistent with reliable supply and limited exposure to price volatility.
	Develop incentives for the utility to create savings for ratepayers through exceptional commodity management.	BC Gas' Gas Supply Mitigation Incentive Program provides a results-based incentive for the utility to maximize revenue from the resale of surplus gas and transmission capacity that offsets the costs of gas purchases.	

Chart 1.7 **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
To Continue to Control the Cost of Regulation	Ongoing review of Commission activities to determine if they are necessary and, if so, the most efficient and cost-effective method for achieving the desired outcome.	Annual Performance Indicators on staff levels, decisions issued, hearing days, Alternative Dispute Resolution days, Commission expenditures, Commission costs per customer and Commission costs per gigajoule of energy sold.	Maintain Commission budgets and expenditures at levels similar to those of the mid and late 1990's, adjusted for inflation and new activities, as measured by Commission costs per utility customer and costs per unit of energy sold. Maintain favourable benchmarking of BCUC staffing and budget statistics against those of comparable tribunals (e.g., see table in Section 2.4.).
	Recommend amendments to Utilities Commission Act and regulations to reduce and clarify the regulatory burden.	Identification and recommendations for rescinding outdated regulations	Legislative package in 2003 to begin implementing Energy Policy and efficiency measures. Reduce number of regulations or regulatory requirements by up to one-third by 2004/05.
	Provide assistance to other jurisdictions on a contract basis when possible to reduce costs to B.C. ratepayers.	BCUC workloads permitting, staff provides assistance to Yukon Utilities Board and Saskatchewan Rate Review Panel.	Positive revenue from services to offset BCUC costs and enhances reputation and knowledge of Commission.
	Promote regulatory convergence and cooperation.	Participate in provincial, national, and North American initiatives to share information, develop common regulatory principles, harmonize practices where appropriate, reduce duplication, and adopt best practices.	Improved regulatory methods and processes and harmonization of regulation with other agencies to reduce the cost of regulation to utilities and others.

Chart 1.7 (continued) **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
To Continue to Control the Cost of Regulation	Implement periodic reviews or public proceedings to review Commission practices, procedures, programs and generic decisions.	Publication of Commission Decisions or Guidelines on multi-utility or recurring issues.	Develop baseline statistics on number of issues resolved by Negotiated Settlement procedures, number of utilities regulated under performance-based regulation and light-handed (complaint) regulation.
	Develop a formal salary structure to ensure positions are paid appropriately relative to each other and the market and implement a new performance management system.	Acceptance of consultant's report and recommendations on revised job-descriptions and compensation levels based on market data from comparative organizations by early 2003.	By Spring 2003, approval from PSEC for a new salary structure and salary administration program for all positions at the BCUC.
	Develop an implementation plan to transfer the assets of the BCUC's computer systems to the Ministry of Management Services, Common Information Technology Services ("CITS") Division and contract for information technology ("IT") systems and systems support.	IT systems and systems support to be provided by CITS by end of 2003/early 2004. Desktop upgrades to take place at the time of asset transfer to conform with Government computer standards.	Current staff responsibilities for systems and systems support phased-out by early 2004.

Chart 1.8 **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
To Improve Communications About, and Ratepayers' Satisfaction With, BCUC Regulatory Matters	Strive to issue the clearest possible written decisions and judgements, to enable all stakeholders to understand the Commission's reasoning in resolving detailed and complex issues.	Clear, readable and plainly written Decisions and Orders.	Positive feedback from utility personnel and customers. Minimal numbers of applications for reconsideration of Commission Decisions. Minimal appeals to Court of Appeal, and for those appealed, judgements that support the Commission.
	Continue to seek ways to respond to customer complaints and rule on complaints fairly and efficiently, while balancing the needs of the complainant, other customers and the utility.	"Complaints Management Review" report to be considered by the Commission in early 2003.	Improved satisfaction levels, in future stakeholder assessments, by complainants with the complaint process.
		Updated consumer's pamphlet on complaint procedure in 2003.	Amendments to the Utilities Commission Act enabling it to create and enforce consumer protection rules when choice of natural gas commodity supplier is extended.
	Continue to periodically assess the level of public confidence in the regulatory process from representative stakeholders.	Periodic Stakeholders Assessment Reports, including stakeholder satisfaction ratings, to compare with baseline ratings.	Maintain and improve satisfaction ratings with the BCUC by utilities, intervenors and complainants.

Chart 1.8 (continued) **STRATEGIES, PERFORMANCE MEASURES AND TARGETS**

Goal	Strategies and Activities	Output/Outcome	Performance Measures or Targets
To Improve Communications About, and Ratepayers' Satisfaction With, BCUC Regulatory Matters	Improved information with which to assess internal processes and efficiency of internal document processing.	Document Logging and Tracking: computer-based logging, tracking and assignment system implemented since November 2001.	Develop baseline statistics and reduce response times for routine applications, queries and complaints over the next three years.

4.0 ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

The Commission's mission is to ensure that ratepayers receive safe, reliable and non-discriminatory energy services at fair rates from the utilities it regulates and that shareholders of those utilities are afforded a reasonable opportunity to earn a fair return on their invested capital. It accomplishes this through the application of fair, open, effective, and efficient regulatory processes resulting in consistent, professional and balanced decisions that are communicated clearly and understandably. This aligns with all of the core values in the Government's strategic plan.

The Commission's responsibilities relate primarily to the economic regulation of provincial energy utilities. Consequently, its actions are most strongly linked to goal one of the strategic plan: a strong and vibrant provincial economy. By ensuring that all customers pay rates that are high enough to allow utilities the opportunity to earn a fair return on their invested capital, but no more, the Commission assists residents to maintain spending in their communities and commercial and industrial customers the opportunity to build and sustain viable enterprises. By balancing the objective of fair and reasonable rates for customers with the opportunity for utilities to earn a fair return, the Commission assists in creating conditions in which individuals, utilities and other businesses wish to invest.

The Commission, through its regulation of utility operations and capital additions, also supports goal three of the Government's strategic plan: safe, healthy communities and a sustainable environment. By ensuring that ratepayers receive safe, reliable service by virtue of the Commission's investigation of operational complaints by customers, review of utility capital expenditures on projects that enhance safety and reliability and inclusion of safety and reliability indicators in performance-based regulation, the Commission attempts to promote safe communities and work environments.

5.0 SUMMARY FINANCIAL OUTLOOK 2003/04 – 2005/06

Summary Financial Outlook Service Plan

	2002/03 (budget)	2003/04 (forecast)	2004/05 (forecast)	2005/06 (forecast)
Total Revenue	$3,295,000	$4,717,000	$4,721,000	$4,721,000
Total Expenses	$3,295,000	$4,717,000	$4,721,000	$4,721,000
Operating Income (loss)	$0	$0	$0	$0
Net Income (loss)	$0	$0	$0	$0

Key Assumptions:

- The Commission continues to fully recover its costs from the utilities it regulates.
- B.C. Hydro generation, transmission and distribution return to full regulation in April 2003.
- The mandate of the B.C. Utilities Commission is not expanded to include the regulation of non-energy monopolies.

Forecast Risks and Sensitivities:

Provincial Government decisions in 2003 may result in major changes to the mandate, structures and functions of the BCUC. For example, Land and Water B.C. wishes to divest itself of its private water utility regulation function by the Spring of 2004 and has recommended that this function be transferred to the BCUC. Government has also announced that the Insurance Corporation of B.C. and B.C. Ferry Services will be subject to some form of regulatory oversight. The Commission's role, if any, in these additional regulatory activities has not been determined.

6.0 MAJOR CAPITAL PROJECT PLAN

The BCUC has no planned capital projects within the planning period.

7.0 OPERATING SEGMENTS SUMMARY

The BCUC has no subsidiaries or other operating segments.

Chart A-1: Commission Expenditures (2001 Dollars)

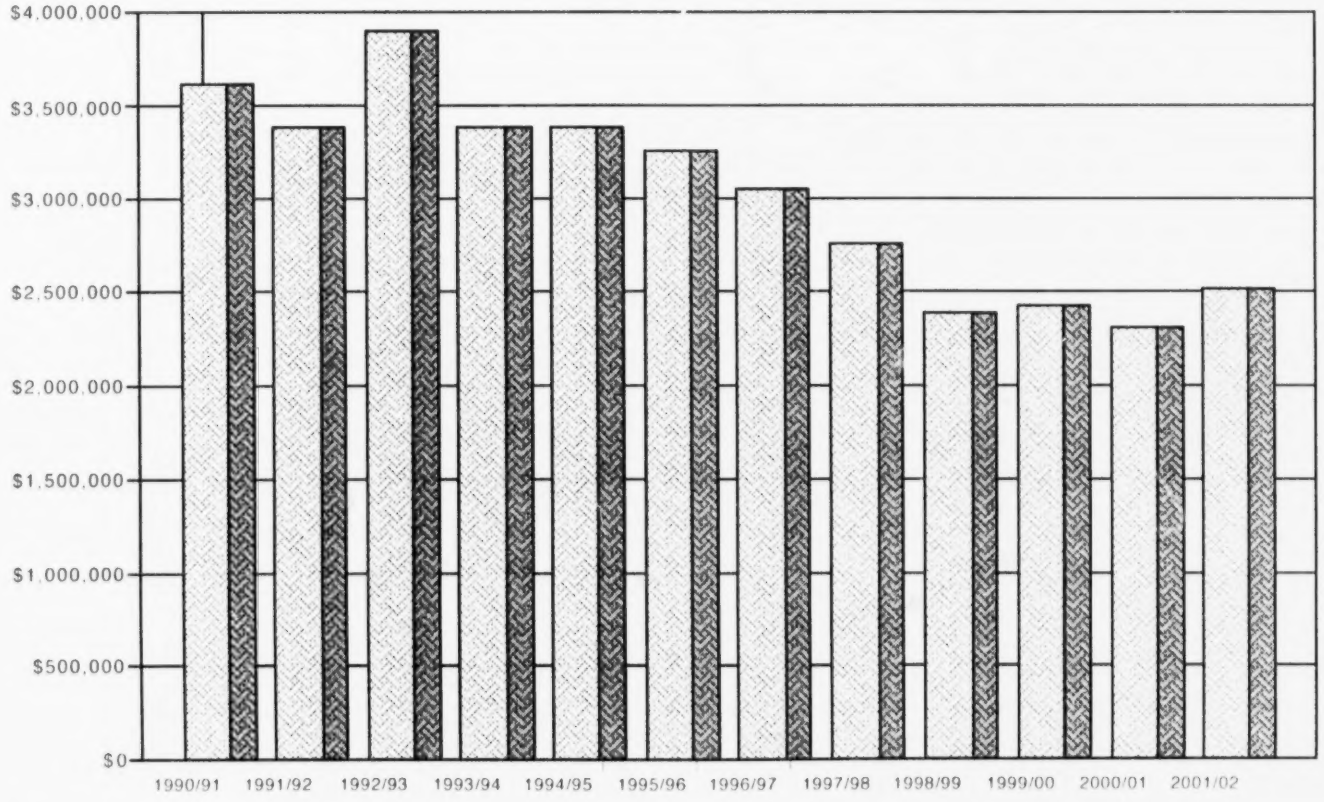

Chart A-2: Staffing Levels

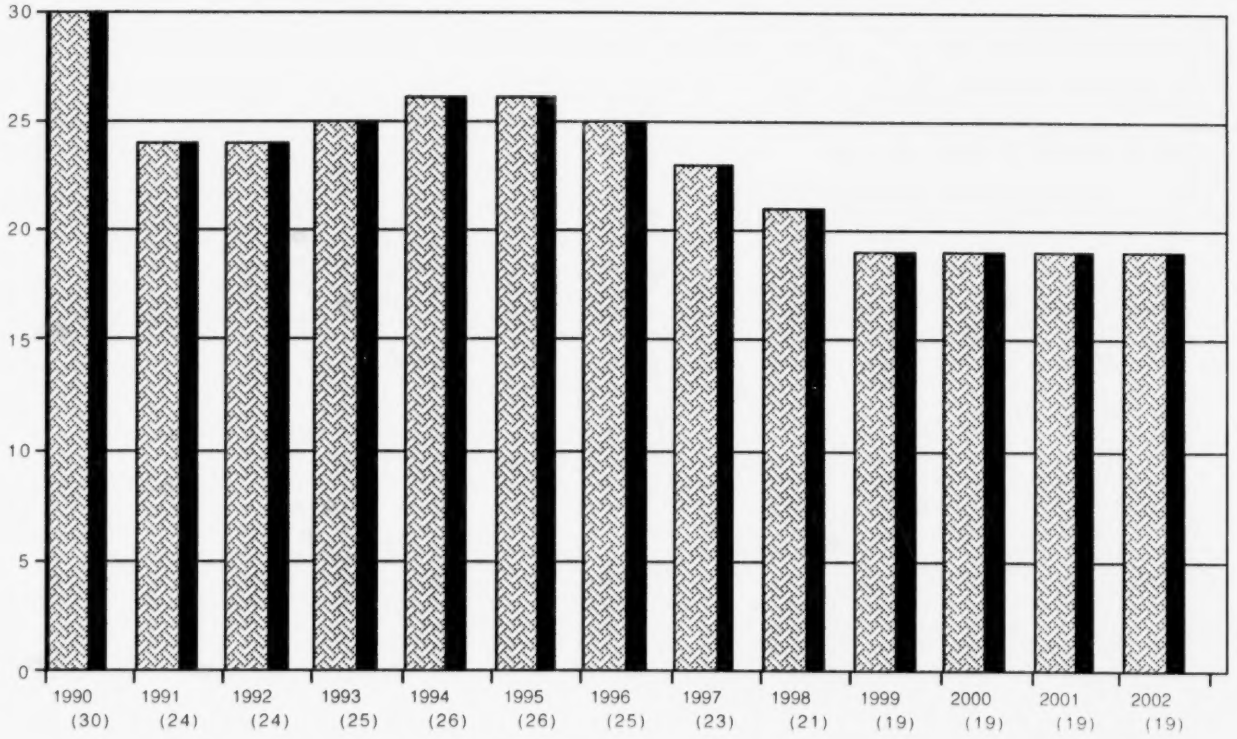

Chart A-3: Cost of Regulation per Customer (2001 Dollars)

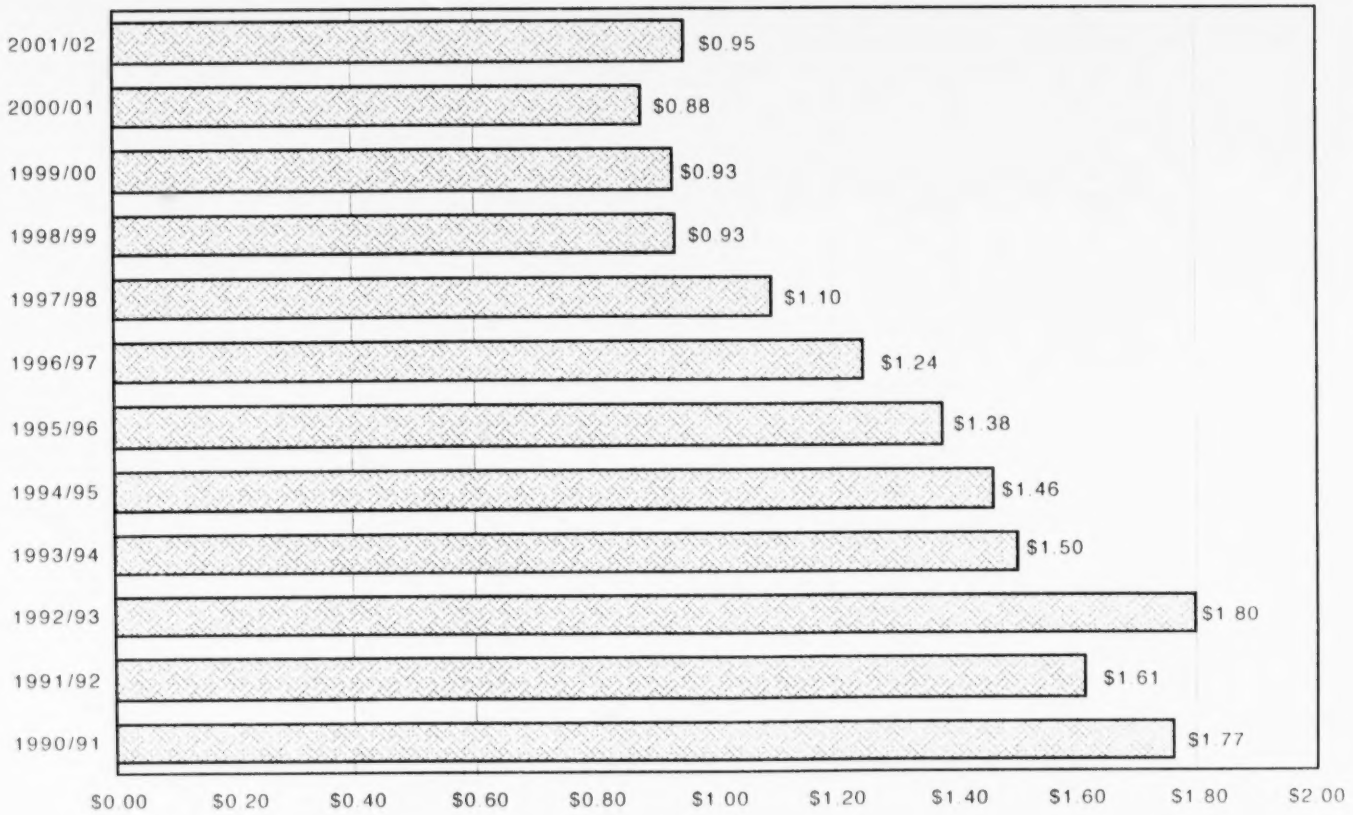

Chart A-4: Cost of Regulation per GJ of Energy Sold (2001 Cents)